Good morning, ladies and gentlemen, and welcome to Huron Consulting Group’s webcast to discuss financial results for the first quarter 2017.

Before we begin, I would like to point out that this conference call is being recorded. As a reminder, this conference call is being recorded.

Before we begin, I would like to point all of you to the disclosure at the end of the company’s news release for information about any forward-looking statements that may be made or discussed on this call. The news release is posted on Huron’s website. Please review that information along with the filings with the SEC for a disclosure of factors that may impact subjects discussed in this morning’s webcast.

The company will be discussing one or more non-GAAP financial measures. Please look at the earnings release and on Huron’s website for all of the disclosures required by the SEC, including reconciliation to the most comparable GAAP numbers.

And now I’d like to turn the call over to Jim Roth, Chief Executive Officer and President of Huron Consulting Group. Mr. Roth, please go ahead.

Good morning, and welcome to Huron Consulting Group’s First Quarter 2017 Earnings Call. With me today is John Kelly, our Chief Financial Officer; and Mark Hussey, our Chief Operating Officer.

Revenue from continuing operations grew nearly 5% over the prior year quarter, and our first quarter results were in line with our expectations and consistent with our full year guidance. The Education and Life Sciences and Business Advisory segments both achieved strong results in the first quarter. Our Healthcare business remained challenged, primarily due to continued softness in demand for our performance improvement solution.

I will now provide a brief overview of the performance for each segment and then John will add color to the financials.

Let me begin with Healthcare. During the first quarter, Healthcare segment revenues declined 14% compared to the prior year quarter. On an organic basis, Healthcare revenues decreased approximately 19% over the first quarter of 2016. The quarter-over-quarter decline, which we anticipated in our 2017 guidance, was primarily attributable to continued softness in our revenue cycle offering within the performance improvement solution.

While we continue to win revenue cycle engagements across the health care spectrum, there has been a significant change in the way our clients are buying our services. As we’ve mentioned recently, we are seeing very few large anchor engagements in our revenue cycle solution. Although
we have more projects underway, new projects tend to be smaller, driving increased margin pressure. We anticipate the demand for our revenue cycle offerings will stabilize, albeit at levels below our historical norms.

To align our Healthcare business with these market changes, we continue to evolve our go-to-market strategy and solutions to respond to the needs of our healthcare clients. In addition, we have and will continue to make adjustments to our cost structure to manage our profitability in this segment.

Given the ongoing uncertainty regarding the health care policy at the national level, a constant among our client base is the need for hospital and health systems to continue to improve their cost and quality metrics. With Huron’s deep industry expertise and broad service offerings from strategy through operational and technology implementation, we believe we are well positioned to help our clients tackle the ongoing transformation of their health care systems. Although we remain cautious about predicting near-term growth in this business, we believe we have the expertise and portfolio of capabilities to support the challenges facing our clients as we strive to return the Healthcare segment to organic growth.

Moving to our Education and Life Sciences, or ELS segment, the segment turned in a solid quarter with strong performance in both our Education and Life Sciences businesses. Our Education business continued to see solid demand in the first quarter across each of its service lines, delivering strong organic growth quarter-over-quarter.

Our higher education clients continue to be faced with significant uncertainty, particularly around state support for education and potential reductions in federally sponsored research. The difficulty in achieving revenue growth is the most significant challenge facing our higher education clients.

Similar to the health care industry, our higher education clients are also looking to sustain their core business while developing new opportunities for growth over the long term. The need to bend the cost curve in higher education is becoming increasingly urgent.

In addition to addressing these financial pressures, our clients face the need to transform their business models to best leverage the cloud and other emerging technologies to drive efficiency and effectiveness throughout their academic and administrative operations. We believe our practice is well positioned to help our clients make meaningful inroads through our strategy, operations and technology offerings.

Turning to Life Sciences, the business began 2017 at a stronger pace compared to Q1 2016. Our Life Sciences business saw solid demand for our strategy offerings during the first quarter. We continue to integrate our Pope Woodhead acquisition and have already had success in the market for our combined solutions with our legacy strategy and market access offerings. Our expanded global presence and a wider portfolio of offerings in strategy and market access enables us to be well positioned to meet the demands of the complex, global and highly regulated life sciences industry.

Our Business Advisory segment continues to perform well and now includes our newest business, strategy and innovation, which was formed through our acquisition of Innosight. Within the Business Advisory segment, our Enterprise Solutions and Analytics business, or ES&A, gained momentum throughout the first quarter. We continue to attract marquee clients with our ability to help integrate technology and analytics into our clients’ organizations as they strive to drive efficiency and enhance their operations.

We are also pleased to have closed our acquisition of the international business of ADI Strategies in April. This acquisition enhances the global reach of our Enterprise Performance Management and business intelligence capabilities.

The legacy Business Advisory practice had a strong first quarter of organic growth, driven by demand for our financial advisory and turnaround services. We continue to broaden our operational and transactional competencies and are increasingly able to serve larger clients in a more diverse set of industry sectors. The depth and experience of our highly talented people, coupled with the breadth of our service offerings position us as clients look to optimize their performance to maintain their competitive advantages in their industries.
The strategy and innovation business, which we established through our acquisition of Innosight in March, performed well in its first month at Huron. The market reaction has been favorable as we combine our new strategy and innovation capabilities together with our deep industry expertise, bringing a broad and differentiated set of offerings to meet our clients’ complex needs across a variety of sectors including health care.

Excluding the strategy and innovation business, in the first quarter of 2017, our ES&A and legacy Business Advisory practices generated approximately 23% of their total revenues in the health care, education and life sciences industries. We view this meaningful and consistent collaboration across our businesses to be one of Huron’s greatest competitive advantages as we believe this integrated approach will strengthen our value proposition with clients by offering the best solutions from our entire firm.

I would also like to highlight our increased global presence. Over the last 2.5 years, we have been rapidly growing our teams in Canada and India. In addition, through our acquisitions of Pope Woodhead, Innosight and ADI Strategies, we have more than doubled the size of our global team and now have offices in 6 countries outside the United States. We continue to strengthen the depth of our international offerings in order to better support our local and multinational clients, and I am excited by the opportunities we see for our businesses beyond our U.S. borders.

Turning now to our outlook for the rest of the year, today, we affirm our company-wide guidance for revenue and non-GAAP earnings. We are updating our GAAP earnings guidance primarily to reflect adjustments to amortization expense associated with the acquisitions we completed in the first quarter of 2017.

I will now make a few comments about how we are viewing the horizon for the remainder of the year. There is no doubt that the headwinds we have been facing in the Healthcare business have been challenging. Despite the decline in revenue and increased margin pressure this business has faced, our highly talented team has continued to deliver demonstrable value to our clients while actively repositioning the business to meet the evolving needs of the marketplace. While we remain cautious about our near-term growth prospects in the Healthcare business, we have made and will continue to make the strategic and operational adjustments in the business that are necessary to position the healthcare practice to respond to the still-evolving health care landscape.

Our Education and Life Sciences and Business Advisory segments are both performing well, and we expect solid demand to continue for our services in these businesses.

Let me close by saying that we have an incredibly talented array of people in this company that are facing these challenges head-on. I am proud of the way that every person in this company is focused on attacking our challenges, executing on our strategic opportunities and delivering the highest quality service to our clients while we remain focused on achieving the growth and profitability that we and our investors expect.

Now let me turn it over to John for more detailed discussions of our financials. John?

John D. Kelly - Huron Consulting Group Inc. - CFO, EVP and Treasurer

Thank you, Jim. Good morning, everyone. Before I begin, please note that I will be discussing non-GAAP financial measures such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow. Our press release, 10-Q in the Investor Relations page on the Huron website have reconciliations of these non-GAAP measures to the most comparable GAAP measures along with a discussion of why management uses these non-GAAP measures.

Also, our acquisitions of Pope Woodhead and Innosight, which closed in January and March, respectively, are included in our first quarter financial results. Pope Woodhead is included in the Education and Life Sciences segment. Innosight is included is in the Business Advisory segment. Our recent acquisition of the international business of ADI Strategies, which closed on April 1, is not included in our first quarter financial results. The international business of ADI Strategies will be included in the Business Advisory segment beginning in the second quarter of 2017.

Now let me walk you through some of the key financial results for the quarter. Revenues from continuing operations for the first quarter of 2017 increased 4.6% to $188.8 million compared to $180.5 million in the same quarter of 2016. First quarter 2017 revenues included $12.8 million from our acquisitions of HSM Consulting, Pope Woodhead and Innosight, all of which closed after the first quarter of 2016, and $300,000 of incremental
revenues due to the full quarter impact of our acquisition of MyRounding. First quarter 2017 revenues also included revenues from our acquisition of the U.S. business of ADI Strategies, which was completed after the first quarter of 2016 and has since been fully integrated into our business.

Net income from continuing operations was $5.2 million or $0.24 per diluted share in the first quarter of 2017 compared to $6.9 million or $0.32 per diluted share in the same quarter last year. The decline in net income over the prior year period reflects flat pretax income from continuing operations and a higher effective income tax rate.

Our effective income tax rate in the first quarter of 2017 was 52.7% compared to 36.9% a year ago. Our effective tax rate for Q1 of this year was higher than the statutory rate, primarily due to discrete tax expense related to share-based compensation, which was the result of the adoption of a new accounting standard. The prior year tax rate was lower than the statutory rate, primarily due to certain tax credits and deductions partially offset by nondeductible expenses.

Adjusted EBITDA from continuing operations was $27.1 million in Q1 2017 or 14.4% of revenues compared to $26.6 million in Q1 2016 or 14.8% of revenues and reflected higher segment operating income, partially offset by higher corporate SG&A expenses.

Adjusted non-GAAP net income from continuing operations was $11.8 million or $0.55 per diluted share in the first quarter of 2017 compared to $13.3 million or $0.62 per diluted share in the same period of 2016.

Now I'll make a few comments about the performance of each of our operating segments.

The Healthcare segment generated 52% of total company revenues during the first quarter of 2017. This segment posted revenues of $98.5 million for the first quarter of 2017, down $15.6 million or 13.7% from the first quarter of 2016. Revenues for the first quarter of 2017 included $5.5 million from our acquisition of HSM Consulting and $300,000 from our acquisition of MyRounding. Excluding these incremental amounts, revenue on an organic basis decreased approximately 19% compared to the first quarter of 2016.

As Jim mentioned and was contemplated in our 2017 guidance, the decline in revenue was primarily driven by continued softness in demand for performance improvement projects, in particular, our revenue cycle offerings.

Performance-based fees in Q1 2017 were $11.7 million compared to $13.9 million in the same quarter last year. Our full year expectation for the range of performance-based fees continues to be $20 million to $30 million.

Operating income margin for Healthcare was 34.7% for Q1 2017 compared to 34.2% for the same quarter in 2016. The year-over-year increase in operating margin was primarily attributable to a decrease in performance bonus for our revenue-generating professionals as a percentage of revenues, largely offset by increases in contractor expenses and salaries and related expenses for support personnel.

The Education and Life Sciences segment generated 28% of total company revenues during the first quarter of 2017. The segment posted record quarterly revenues of $52.5 million in Q1 2017, an increase of 21.4% compared to revenues for Q1 2016 [of $43.2 million]. Revenues for the first quarter of 2017 included $2.1 million of incremental revenues from our acquisition of Pope Woodhead. Excluding this incremental amount, revenue on an organic basis increased 16.4% over the first quarter of 2016.

The operating income margin for Education and Life Sciences segment was 29.7% for Q1 2017 compared to 23.6% for the same quarter in 2016. The increase in operating income margin in the quarter was primarily attributable to the increase in revenues during the quarter, which outpaced related expenses.

The Business Advisory segment generated 20% of total company revenues in the first quarter. The segment posted revenues of $37.9 million for the first quarter of 2017, an increase of 63.2% compared to $23.2 million in Q1 2016. Revenues for the first quarter of 2017 included $5.2 million of revenues from our acquisition of Innosight. First quarter 2017 revenues also included revenues from our acquisition of the U.S. business of ADI Strategies, which was completed after the first quarter of 2016 and has since been fully integrated into our Business Advisory segment.
The operating income margin for Business Advisory was 15.3% for Q1 2017 compared to 11.6% for the same quarter in 2016. The increase in operating income margin in the quarter is primarily attributable to an increase in utilization over the prior quarter.

Other corporate expenses not allocated at the segment level were $32.5 million in Q1 2017 compared to $30.1 million in Q1 2016. The quarter included approximately $2.2 million of acquisition-related deal costs. In addition, approximately $1.3 million of Pope Woodhead and Innosight’s costs are included in unallocated G&A as these activities are consistent with other corporate activities within Huron. As our business mix continues to shift, we are actively managing our cost structure across the enterprise to achieve our profitability objectives.

Now turning to the balance sheet and cash flows. DSO came in at 61 days for the quarter -- for the first quarter of 2017 compared to 57 days for the fourth quarter of 2016.

Total debt includes both the $250 million face value of convertible notes and $196 million in senior bank debt for a total debt of $446 million.

We finished the quarter with cash of $13 million for net debt of $433 million, an increase of approximately $132 million compared to net debt of $301 million as of the end of the fourth quarter. The first quarter reflects the payment of our annual bonuses as well as the funding of our acquisitions of Pope Woodhead and Innosight.

We ended Q1 2017 with a leverage ratio as defined in our senior secured credit agreement of approximately 2.9x adjusted EBITDA.

Cash used by operating activities for the quarter was $18.4 million. We continue to expect cash from operating activities for the year of $115 million to $125 million. Less capital expenditures of roughly $25 million, we expect free cash flow for the year of approximately $90 million to $100 million net of cash taxes and interest and excluding noncash stock compensation.

Finally, as Jim mentioned, we are affirming the annual revenue and non-GAAP earnings guidance that we provided during our February earnings call. However, we are updating GAAP earnings guidance to adjust amortization expense associated with the acquisitions that were completed during Q1 2017, which reflect the estimated cost of certain restructuring activities.

As a closing reminder, with respect to adjusted EBITDA, adjusted net income and adjusted EPS, there are several items that you will need to consider when reconciling these non-GAAP measures to comparable GAAP measures. The reconciliation schedules that we included in our press release will help you -- will walk you through these reconciliations.

With that, I would now like to open the call up to questions. Operator?
James H. Roth - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Tim, it’s Jim. A couple comments. First of all, I mean, broadly, as we’ve seen now for the better path of the last 1.5 years or so, there’s a pretty -- there’s a lot going on in the higher education segment -- I mean, in the industry and that’s driving a fair amount of our demand, so I think that’s been one of the fundamental reasons for us to have had an uptick. I think the specific uptick this past quarter, we’ve got a number of projects that had some unusual intensity in the last quarter that we’re not 100% sure is going to continue for the duration. So that’s the basis for a little bit of our cautiousness there.

Timothy John McHugh - William Blair & Company L.L.C., Research Division - Partner and Global Services Analyst

Okay. And was those -- I mean, was that broad based? Or was there a particular area that attracted this more intense type of activity level?

James H. Roth - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

It was actually across-the-board, across all the businesses within higher ed.

Timothy John McHugh - William Blair & Company L.L.C., Research Division - Partner and Global Services Analyst

Okay. And then just Healthcare, the commentary, it sounds like I think some of the comments -- maybe I’m parsing words here, but sounded like it was more the future tense when you were describing, revenue will stabilize or -- and you continue to take actions. Can you talk about just in the project flow and the pace of new assignments, have you seen stability there yet? Or is it more something you’re still kind of trying to find the base in the revenue there?

C. Mark Hussey - Huron Consulting Group Inc. - COO and EVP of Huron Healthcare Practice

Yes, hey, Tim, this is Mark. What we’re seeing is an increased number of projects. And so I think it’s fair to say that we see increasing pressure across [local] providers and they’re showing up in different ways and shapes and forms. I think what’s continuing to be the case is just the manner in which the projects are being purchased is essentially one that, again, is smaller in basis and more incremental and expanding over time as opposed to the larger assignments that start from the get-go. But clearly, I’d say we definitely see increased signs of pressure across the industry. And so the level of activity is definitely, I would say, continuing to increase a little bit. I wouldn’t say it’s dramatically different than it was a quarter ago, but it’s definitely in a positive trajectory.

James H. Roth - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

And, Tim, this is Jim. I would just only add that if -- as we’re obviously in the market quite a bit and if you look at the degree of uncertainty and lack of clarity that our clients are facing, I mean, it’s really pretty amazing in terms of having these big businesses that are getting increasingly complicated and you’ve got such an uncertainty around the overall national policy. I think while a lot of them are kind of waiting to see how that rolls out, and that may still be a while before it rolls out with any clarity, I think the one thing that is beginning to hit home very quickly is the cost pressures. Just the margin declines for a lot of our clients are pretty significant as well. And so that gives us some confidence that there’s going to be some stabilization here. But I think just the broader strategy around how they should be approaching the market is so unclear, I think it’s just going to continue make them a little bit cautious in terms of driving the larger projects. So as Mark indicated, I think in the interim, we’re faced with a larger number of smaller jobs, but I think some confidence that the cost pressures are going to continue to kind of develop some demand for us, but we just have to wait and see. It’s just that we’re in the market all the time. I feel good about the fact that we have a broader base of clients now than we’ve ever had before, I feel very good about that. But obviously, the size differential compared to what we used to have is significant as well. So we are -- we’re doing the best we can to continue to maneuver the types of offerings that we have [in the practice] and helping our clients as they try to maneuver through a pretty uncertain environment right now.
Okay. And then just contingencies, I guess, $12 million this quarter and you're saying $20 million to $30 million for the year. What's -- I guess, I'm surprised it implies a very small amount for the rest of the year. Is there timing or I guess is that the impact of the large projects? Just any more color on that would be helpful.

That's right, Tim. It is really impact of large projects. As we talked about the past couple of quarters, we've got a couple of the larger jobs winding down during the first half of the year, and those had larger contingent fee contributions during the first quarter. So what you're really seeing there when you compare that $11.7 million to the range of $20 million to $30 million for the rest of the year is the wind-down of those large projects.

And I guess, just a comment, they wind-down in the first half, I guess. Do we get a -- is that really -- do we see that 1Q to 2Q? Or is that more -- I guess, how far into 2Q do those large projects that are winding down continue?

The majority of the impact of those large projects is wound down during the first quarter.

So you talked about the smaller engagements and -- but also a larger number of clients. So you've talked about in the past how maybe you can take that situation and turn it to your advantage a little bit in terms of just getting more clients and maybe cross-selling more services, and also if they're smaller engagements, maybe the duration of the total client relationship is longer. So just any update on initiatives to increase the duration of client relationships and the ability to cross-sell into those relationships.

Well, Kevin, this is Jim. I think you said it right. We think that, that even though -- as we've probably indicated over the last year, that transition for us from a smaller number of larger projects to a larger number of smaller projects creates some rough spots that have been -- you've noticed them in our results. But I think as we've said very clearly, the end result of this is, I think, the more organizations that we're working at, at any given day provides us with opportunities to stay close to management as they're evolving through their own complex transition. And it gives us a chance to be able to sell more of our services across not just the Healthcare business, but also some of our other businesses where we see improved collaboration, particularly with our ES&A practice. So I will tell you, as rough as this transition is, I think in the long run, for Huron, we're better off having a large stable of clients where we can provide multiple services and I think that will bode well for us over time.
C. Mark Hussey  - Huron Consulting Group Inc. - COO and EVP of Huron Healthcare Practice

Yes, and, Kevin, the thing I would add is that we have seen really a nice acceleration in our ability to bring in other solutions within Healthcare on a more comprehensive basis. We’re less siloed than we’ve ever been before internally and then even across the other areas of Healthcare and technology, Business Advisory that all touch each other, we’re seeing a lot of collaboration in the market. And that continues to be, we think, an area that we want to exploit and focus on because we think it’s going to produce a lot better results over time.

James H. Roth  - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Yes, and I think -- this is Jim again -- we’ve drawn some analogies historically to our higher education practice, which has a large broad base of clients. And we have -- some of those clients, we’ve been working at almost constantly for upwards of 8, 9, 10 years on a variety of projects and it’s just that’s the kind of working relationship that we’d like to have, where we are the partner with our clients and helping them on an array of their issues and that they continue to look to us to be their business advisers. And I think if we can establish that on a broader basis in Healthcare, that will serve us very well for the future.

Kevin M. Steinke  - Barrington Research Associates, Inc., Research Division - MD

All right, that’s helpful. And on that same topic, I know it’s still early into you owning Innosight, but what sort of opportunities are you seeing to cross-collaborate across segments and take those offerings to your Healthcare and Education and Life Sciences clients?

James H. Roth  - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Well, I think the short answer is it’s going very well. The longer answer is we actually started collaborating even before we closed the deal. There are just -- they’ve already had some work that they’re doing in the Healthcare space, and we’ve been talking with them about a variety of ways for helping us integrate with our Health, Education and Life Sciences businesses. It’s a great group of people, they’re very market-relevant and we see this as a big opportunity for them not only to continue to grow their business on the corporate side outside of those industry segments, but we’re actively involved in working with our industry focus in Health, Education and Life Sciences to really try to take their competencies and bring them to our clients and I think that’s going to be a very successful thing over the coming years.

Kevin M. Steinke  - Barrington Research Associates, Inc., Research Division - MD

All right, good. And on the Business Advisory segment, I don’t -- did you mention an organic number there and also the contribution from ADI?

John D. Kelly  - Huron Consulting Group Inc. - CFO, EVP and Treasurer

Yes, Kevin, so we commented that ADI is fully integrated now and so we’ve really lost the ability to separately track the U.S. business -- U.S. portion of ADI’s business from the legacy portion of the business. The teams are integrated, the projects are integrated, so we don’t have precision around that.

Kevin M. Steinke  - Barrington Research Associates, Inc., Research Division - MD

Okay, okay, that makes sense. You had talked about last quarter a bit of a slowdown in the ES&A practice due to a vendor realigning its sales organization. Is that little headwind pretty much behind you now?
James H. Roth - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

In part. I think there's still some uncertainty around that. So I think things have gotten a little bit better, but I think there still are some headwinds from that. I think it's still evolving with the vendor.

C. Mark Hussey - Huron Consulting Group Inc. - COO and EVP of Huron Healthcare Practice

And, Kevin, the other thing I would add is that, that practice has done a very nice job of creating direct client relationships that have produced good size and so their dependence on the vendor channel has continued to be less than it has been in the past.

John D. Kelly - Huron Consulting Group Inc. - CFO, EVP and Treasurer

And, Kevin, I'll just add that they're still working through some of those headwinds. There's nothing that's outside of what we contemplated with our guidance.

Kevin M. Steinke - Barrington Research Associates, Inc., Research Division - MD

Okay. On the Business Advisory legacy practice, it sounds like that continues to go well. Obviously, you're doing some turnaround work there. Just wondering if you see that continuing especially on the turnaround side. I know you've talked about doing some work with oil and gas. So I don't know how much exposure you have there, but with things picking up in oil and gas, could that potentially fall off a little bit? Or what's just kind of the overall outlook for the legacy practice for the remainder of the year?

James H. Roth - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Well, we have made investments in the legacy business in some very specific areas. Energy's obviously one of them, retail recently, also life sciences and with some capability. So I think we are at the point where I don't think that there's any one industry that's going to dominate the results for the legacy business. We feel good about the broad-based capabilities across multiple industries. I think in terms of energy, we've talked about this recently with the team. I think that there is some stabilization in the energy business, but I think there's still a lot of things that need to be worked through. So we feel good about that part of the business. We feel good about some of the other areas, like particularly retail and so on that we think has some real opportunities for us to grow. I think, in general, this business has just been very well run and they've done a great job of attracting new talent that has various industry expertise. And they've had a pretty consistent run for the last 4 or 5 years and I expect that to be able to continue.

C. Mark Hussey - Huron Consulting Group Inc. - COO and EVP of Huron Healthcare Practice

The other thing, Kevin, that they've done is really diversify from just being a restructuring and turnaround practice, particularly over the last 5 years. And so their service lines, whether it's more increasingly in the operational improvement area as well as just working with companies that are maybe stressed or not completely distressed, has enabled them to really have a broader set of client opportunities, broader set of relationships that bring in business. And I think that over time has really provided a much broader base to grow from.

Kevin M. Steinke - Barrington Research Associates, Inc., Research Division - MD

Okay. And then the Education and Life Sciences margin seemed particularly strong. But at the same time, you're ramping up your cloud-based implementation services, which I believe are lower margin. So just how should we think about the ELS margin going forward?
Kevin, I would describe it as still consistent with what we talked about at Investor Day and the guidance that we said at the beginning of the year, we said in that 23% to 24% range for the full year. The 29.7% that you saw this quarter, that really relates to some of that intensity on several projects that we saw during the quarter where we were able to get highly utilized on those projects and more or less fell straight to the bottom line. But for the full year, I'd stick with the guidance that we have out there.

Kevin M. Steinke - Barrington Research Associates, Inc., Research Division - MD
Okay, just a couple more here. On the SG&A levels, that was up a bit, a fair amount sequentially, although I guess you talked about some acquisition-related expenses in there. So I assume we should expect that to trend down sequentially and reach more normalized levels as we move throughout the year?

John D. Kelly - Huron Consulting Group Inc. - CFO, EVP and Treasurer
That's correct, Kevin.

Kevin M. Steinke - Barrington Research Associates, Inc., Research Division - MD
All right. And how are you thinking about the tax rate for the rest of the year or full year?

John D. Kelly - Huron Consulting Group Inc. - CFO, EVP and Treasurer
We're sticking with the guidance that we put out there at the beginning of the year, the 41%. So we anticipated that Q1 would be the quarter where we'd get hit by the new accounting rules related to share-based compensation. And so when you see that over 50% rate, that's almost entirely due to the adoption of the new rule and the vesting of certain share-based awards during the first quarter of this year. If you were to strip that out, it'd be more in the upper 30s for the quarter.

Operator
Our next question comes from Tobey Sommer with SunTrust.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD
When you talk about revenue cycle, an expectation for that to stabilize, I just kind of wanted to revisit that. Is it a function of the broadening of customers as well as just kind of waiting for whatever anchor contracts you have to run off and kind of expecting it to continue at that level?

C. Mark Hussey - Huron Consulting Group Inc. - COO and EVP of Huron Healthcare Practice
Tobey, I think what you're seeing is really just the way revenue cycle services are being purchased by clients is different than it's been historically. So in the past, when we had large engagements, we would send in large teams of people to be on site for an extended period of time in a pretty intensive implementation. What we're seeing is really a couple things. One is more advisory-type assignments that enable us to help clients do things themselves as they've gotten better and made investments of their own around revenue cycle. We're seeing things outside of just the acute setting into physician areas as well. And so I think just as revenue cycle over time is going to continue to be an extremely important element of every hospital's revenue stream, and so it's not going away, but what we're doing is just working through that period where those larger assignments are just working their way off the base. And that's not to say that they have gone completely away because I don't think we'll see them disappear.
forever. But I do think that as we think about where things are going in the future, it’s going to be a difference from what we’ve seen historically in the way those services are basically acquired and the way that we deliver them as well.

**Tobey O’Brien Sommer**  -  SunTrust Robinson Humphrey, Inc., Research Division  -  MD

Kind of a broad question about the Education and Life Sciences segment. We’ve talked now probably for, I don’t know, the 2, 3 years about how conditions are kind of increasingly challenging for higher education institutions in that they’re kind of starting to grapple with them more seriously. Is this increased pace of demand, is it something that may be sustainable because of those pressures? Is this something -- could this just be a higher growth area for the firm going forward?

**James H. Roth**  -  Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Tobey, this is Jim. I think it’s going to be a good growth area for us. I mean, I think the challenges that the higher education market had been facing I think are going to remain for a while. I think, to some extent, the way we’ve kind of described the challenges are that the cost pressure, there’s really very little opportunity for revenue growth for a lot of these institutions. And so you either have to address it by looking at scale, which is hard to do, or you’ve got to reduce costs, and that’s a challenge. So we’re certainly doing a lot of work around that area. I think that the broader issue also is that as new technologies come onboard, there’s better opportunities to deliver a high-quality curriculum at lower costs and I think you’re going to see some -- a lot more kind of changes in the way that education is delivered, and so collectively, that puts a lot of pressure. Some segments of the industry are more pressured than others. And no question, the tuition-dependent places are obviously the most pressured. But even for our larger clients, all the issues around the academic medical centers and the implications of the clinical versus the academic side are challenging. The research environment continues to be very costly. And you put all that together, it’s just a very -- you’ve got a business that has challenges in the top line and expenses that are growing much faster than revenues. And that’s why there’s actually some similarities to Healthcare in this area as well. So we’re pretty bullish about the way things are going to continue to evolve in higher ed and they’ve had a number of years of really strong growth across all their businesses and we expect that to continue.

**Tobey O’Brien Sommer**  -  SunTrust Robinson Humphrey, Inc., Research Division  -  MD

I’m curious, at the -- last night, this morning there’s talk about a funding increase for the National Institutes of Health. Is that something that could be a catalyst for the firm? Or if you could just refresh us on how that may impact your business, if at all.

**James H. Roth**  -  Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Well, it’s interesting. Three weeks ago, they were talking about a 20% reduction in the NIH budget or something like that and they were also talking about the possibility of taking away indirect costs, which all would have been incredibly damaging to our client base, for our research university client base. And so I think you take that threat away and you talk about an increase, so that’s going to clearly be beneficial. But, and this is an important note, that the research enterprise still is very costly. The average subsidy is about 30 cents on the dollar. So if you expand your research enterprise, you have to increase the subsidy to support that research enterprise and this is a challenge for a lot of places as well. So I think the research enterprise is obviously hugely critical to a client’s mission, but at the same time it becomes increasingly costly in an environment where it’s hard to support those costs. So we do a lot of work, as you know, in the research area and I expect that to continue, whether there’s an increase or a decrease in the budget.

**Tobey O’Brien Sommer**  -  SunTrust Robinson Humphrey, Inc., Research Division  -  MD

Okay. And then my last question, I know you said you fully integrated, I think, ADI and can’t track it going forward, but could you tell us what the expected revenue contribution is for this year?
John D. Kelly - Huron Consulting Group Inc. - CFO, EVP and Treasurer

For ADI specifically?

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD

If you can isolate it, just since that happened after the quarter?

John D. Kelly - Huron Consulting Group Inc. - CFO, EVP and Treasurer

So I think last year, when we acquired ADI, we described them as being about a $3 million a month or a $35 million business for the full year. And so they're growing at a pace consistent, I'd say, with the rest of our ES&A business heading into 2017.

C. Mark Hussey - Huron Consulting Group Inc. - COO and EVP of Huron Healthcare Practice

Yes, so, Tobey, you've got probably somewhere in the $12 million, $13 million range of incremental growth in year-on-year, just to kind of match it to full year since it was acquired May 1 of -- actually a year ago today.

Operator

Mr. Roth, we have concluded the allotted time for this call. I'd like to turn the conference back over to you.

James H. Roth - Huron Consulting Group Inc. - Co-Founder, CEO, President and Director

Thank you for spending time with us this morning. We look forward to speaking with you again in July when we announce our second quarter results. Have a good day.

Operator

That concludes today's conference call. Thank you, everyone, for your participation.